

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1255 - SB 1367

March 14, 2013

SUMMARY OF BILL: Makes various changes to funding for public charter schools. Requires funding for public charter schools to be distributed by local education agencies (LEAs) in the same manner as funds distributed to the LEA. Authorizes allocations to a public charter schools to be reduced, up to three percent by LEAs, if the school contracts with the LEA for direct, indirect, or other category of administrative services. Requires the Department of Education (DOE) to calculate the per pupil share for the capital outlay portion of the Basic Education Program (BEP) funding formula, to be based on prior year average daily attendance (ADA), instead of the prior year average daily membership (ADM) of the public charter school. Requires public charter schools to fully fund their employees' other post employee benefits (OPEB) on an annual basis if teachers participate in an LEA self-funded health insurance plan.

ESTIMATED FISCAL IMPACT:

Increase Local Revenue – Exceeds \$10,000

Decrease Local Expenditures – Exceeds \$1,000,000

Other Fiscal Impact – According to the Department of Education, as a result of using the prior-year average daily attendance for calculating the capital outlay portion of the BEP non-classroom component for public charter schools, the share of funding going to charter schools will be reduced. The BEP formula will not generate less funding, instead the applicable local education agency will retain more BEP funding than it would have otherwise when using the prior-year average daily membership to calculate the BEP non-classroom component.

Assumptions:

- Local governments may experience an increase in revenue as a result of charging public charter schools an administrative fee. Any increase in revenue is dependent upon whether the public charter school contracts with an LEA, the service provided, and whether the LEA charges the fee. However, it is reasonably estimated that local revenue may increase at least \$10,000.
- No change in the funding formula for teacher insurance premiums. Any increase in state expenditures is estimated to be not significant.

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- Based on information received from the Department of Finance and Administration, LEAs currently fund OPEB on a pay-as-you-go basis. Under this bill, LEAs will not be required to fund these benefits and the burden of payment will transfer to the public charter school. The total expense for OPEB is unknown; however, it is reasonably estimated that local government expenditures will decrease by an unknown amount exceeding \$1,000,000 per year.
- Charter schools may have to pre-fund their OPEB requirements since in subsequent years the charter may expire and OPEB is funded on a 30-year annualized basis.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" and last name "Geise" clearly distinguishable.

Lucian D. Geise, Executive Director

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